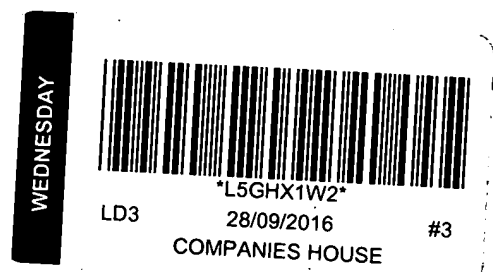


Registration number: 07476462

Towergate Insurance Limited

Financial Statements

For the year ended 31 December 2015



Towergate Insurance Limited

Contents

Strategic report	1 to 3
Directors' report	4 to 5
Statement of directors' responsibilities	6
Independent auditor's report	7 to 8
Income statement	9
Statement of comprehensive income	10
Balance sheet	11 to 12
Statement of changes in equity	13
Notes to the financial statements	14 to 41

Towergate Insurance Limited

Strategic report for the year ended 31 December 2015

The directors present their strategic report for the year ended 31 December 2015 for Towergate Insurance Limited ("the Company"). The strategic report provides a review of the business for the financial year and describes how the directors manage risks. The report outlines the developments and performance of the Company during the financial year, the position at the end of the year and discusses the main trends and factors that could affect the future. The Company is part of the Sentry Holdings Limited Group ("the Group"). Whilst Sentry Holdings Limited is the ultimate parent company, the directors' of its subsidiary TIG Topco Limited ("Topco") manage the Group's operations on a daily basis.

Principal activities and business review

The principal activity of the Company is that of a non-trading holding company.

The results for the Company show turnover of £29.0m (2014: £13.0m) and loss before tax of £91.7m (2014: £882.1m) for the year. At 31 December 2015 the Company had net assets of £554.5m (2014: £610.9m).

The company has transitioned to Financial Reporting Standard 101 ("*FRS 101 Reduced Disclosure Framework*") with a conversion date of 1 January 2014. As required by IFRS 1 First-time adoption of IFRSs, the Company has applied the relevant accounting policies in place on 31 December 2015 to all periods presented. The Company has taken advantage of the disclosure exemptions allowed under this standard. The Company's parent undertaking was notified of and did not object to the use of the FRS 101 disclosure exemptions. A summary of the recognition and remeasurement adjustments arising on the adoption of FRS 101 can be found note 24.

Outlook

The directors do not expect there to be any changes in the nature of the business in 2016.

Key performance indicators

The directors of TIG Topco Limited manage the Group's operations on a divisional basis. For this reason, the Company's directors believe that a separate analysis for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business. The development, performance and position of the Group is discussed in the Group's annual report.

The key performance indicator for this company is the carrying value of its subsidiary, as this is the main asset of the Company. The performance of the subsidiary undertaking will determine whether an impairment to the carrying value is required and this is tested on a regular basis.

There were no impairment charges for the current year (note 11).

Non-financial key performance indicators include staffing levels which have risen by 6% throughout the period. The Company actively encourages all employees to become involved in Group affairs and is also keen to encourage two way communications on relevant business issues. This is achieved through regular employee meetings and presentations by senior management and is supported by a Group wide communication plan. Further discussions on employee matters can be found in the directors' report.

Towergate Insurance Limited

Strategic report for the year ended 31 December 2015

Principal risks and uncertainties

Group acquisition

On 2 April 2015 TIG Finco Plc (Finco), a newly formed intermediate holding company, acquired the Company, the previous ultimate parent company, for the total consideration of £735.0m from Towergate Finance Plc (who was ultimately owned by Advent International, a global private equity firm). This consideration was made up of the issue of £425.0m of senior secured notes by Finco and £310.0m cash which was provided through the issue of new shares in Finco's indirect parent company, TIG Topco Limited (Topco). On the same date Finco issued £300.0m share capital and received a capital contribution from Topco of £60.0m. There is a risk associated with the cost of debt which could impact other companies within the Group. As a part of the transaction, a subordinated loan for £122.0m was issued from Finco to the Company (see note 15).

As a result of these arrangements, on 2 April 2015 funds controlled or managed by Highbridge Principal Strategies LLC became the Group's majority shareholder.

Risk management

The Company's performance and value, as a holding company of the Group, is integrated with its investment in the Company's subsidiaries. As such from the perspective of the Company, the principal risks and uncertainties are integrated with the principal risks of the Group and are managed separately. Accordingly, the principal risks and uncertainties are discussed in the Group's annual report.

A principal risk of this holding Company is the trading performance of its subsidiaries. Trading performance in the subsidiaries could create the need for impairment leading to a reduction in net assets and distributable reserves of the Company. The subsidiaries set performance targets for the year ahead and performance is reviewed regularly against these targets. Reasons for under performance are monitored and mitigating actions are taken. Investments are reviewed for impairment to ensure the appropriate carrying value for each investment in the holding company's accounts.

Other principal risks and their mitigation are as follows:

Financial risk

There is the risk of adverse impact on business value or earning capacity as well as risk of inadequate cash flow to meet financial obligations. This risk is mitigated by proactive management of the business plan, regular monitoring of cash flows against risk appetite and a focus on debt collection.

Operational risk

There is the risk of losses arising from inadequate or failed internal processes or systems, from personnel and / or from external events. These are mitigated by having an Enterprise Risk Management Framework in place, which is owned by the Group Risk Officer. The framework requires all risks to have owners, and these owners have appropriate controls in place which are regularly monitored and significant changes to the risk escalated as required.

The Company's business depends on the ability of employees to process transactions using secure information systems. The capacity to service customers depends on storing, retrieving, processing and managing information. Interruption or loss of information processing capabilities through loss of stored data, the failure of computer equipment or software systems, a telecommunications failure or other disruption could have a material adverse effect on business, results of operations and financial condition. To mitigate these risks the Company has certain disaster recovery procedures in place and insurance to protect against such contingencies.

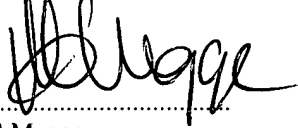
Towergate Insurance Limited

Strategic report for the year ended 31 December 2015

Regulatory and legal risk

This is the risk of regulatory sanctions, material financial loss or loss to reputation suffered as a result of non compliance with laws, regulations and applicable administrative provisions. This risk is mitigated by a proactive relationship with the Financial Conduct Authority, a dedicated compliance function, and a compliance monitoring programme. Furthermore, there is a control framework that has been rolled out and embedded within the culture throughout the Company to reduce the risk of errors and non compliance.

Approved by the Board on 23 September 2016 and signed on its behalf by:

A handwritten signature in black ink, appearing to read 'M S Mugge', written over a dotted line.

M S Mugge
Director

Towergate Insurance Limited

Directors' report for the year ended 31 December 2015

The directors present their report and the financial statements for the year ended 31 December 2015.

Directors of the Company

The directors who held office during the year were as follows:

S Egan (resigned 14 September 2015)

A D Lyons (resigned 29 June 2015)

M S Mugge (appointed 3 November 2015)

O J M Feix (appointed 2 April 2015)

S French (appointed 2 April 2015)

D Gopalan (appointed 2 April 2015 and resigned 8 March 2016)

P W Moore (appointed 2 April 2015)

T Robson-Capps (appointed 2 April 2015 and resigned 30 April 2016)

J Tiner (appointed 29 June 2015)

M Y A Boulanger (appointed 2 April 2015 and resigned 28 August 2015)

The following directors were appointed after the year end:

P N Butler (appointed 8 April 2016)

D C Ross (appointed 9 March 2016)

D R Pietrzak (appointed 8 March 2016)

C E Dandridge (appointed 13 May 2016)

F Mackle (appointed 5 August 2016)

Proposed dividends

The directors do not recommend a final dividend payment to be made in respect of the financial year ended 31 December 2015 (2014: £Nil).

Financial risk management objectives and policies

Details of financial risk management objectives and policies can be found in the strategic report within the 'Risk management' section on page 2.

Future developments

Details of future developments can be found in the strategic report within the 'Outlook' section on page 1.

Political and charitable donations

The Company made charitable donations of £120,000 (2014: £152,290) and political donations of £Nil (2014: £Nil) during the year.

Employment of disabled persons

The Company's policy is to recruit disabled workers for those vacancies that they have the appropriate skills and technical ability to perform. Once employed, a career plan is developed to ensure that suitable opportunities exist for each disabled person. Employees who become disabled during their working life will be retrained if necessary and wherever possible will be given help with any necessary rehabilitation and training. The Company is prepared to modify procedures or equipment, wherever practicable, so that full use can be made of an individual's abilities.

Towergate Insurance Limited

Directors' report for the year ended 31 December 2015

Employee involvement

Employees are key to the Company's success, so an appropriate remuneration package is offered which rewards an individual's performance and contribution to the organisation. The Company is also keen to encourage individual's personal development to ensure that they have the skills required to undertake their role. The Company places considerable value on the involvement of its employees and continues to keep them informed on matters affecting them as employees and on the various factors affecting the performance of the Company and the Group as a whole. This is achieved to formal and informal meetings, circulation of the Company magazine and by encouraging employees to take part in regular employee engagement surveys.

Going concern

The financial statements of the Company set out on pages 9 to 41 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due. Further details of this assessment can be found in note 2 to these financial statements.

Directors' liabilities

All directors benefit from qualifying third party indemnity provisions, subject to the conditions set out in the Companies Act 2006, in place during the financial year and at the date of this report.

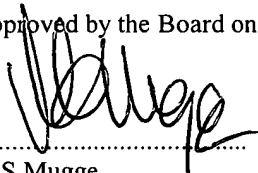
Disclosure of information to the auditor

Each director has taken steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information. The directors confirm that there is no relevant information that they know of and of which they know the auditors are unaware.

Reappointment of auditor

Pursuant to Section 487 of the Companies Act 2006, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Approved by the Board on 23 September 2016 and signed on its behalf by:



M S Mugge
Director

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Towergate Insurance Limited

Statement of directors' responsibilities

The directors are responsible for preparing the strategic report, the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

Independent auditor's report to the members of Towergate Insurance Limited

We have audited the financial statements of Towergate Insurance Limited for the year ended 31 December 2015, set out on pages 9 to 41. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 *Reduced Disclosure Framework*.

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Statement of directors' responsibilities (set out on page 6), the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2015 and of its loss for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

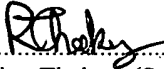
In our opinion the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Independent auditor's report to the members of Towergate Insurance Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Rajan Thakrar (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

15 Canada Square
Canary Wharf
London
E14 5GL

Date: 23 September 2016

Towergate Insurance Limited

Income statement for the year ended 31 December 2015

	Note	2015 £ 000	2014 £ 000
Turnover	3	<u>29,018</u>	<u>12,951</u>
Amortisation and other amounts written off of intangibles		(917)	(1,136)
Administrative expenses		<u>(111,255)</u>	<u>(181,987)</u>
		<u>(112,172)</u>	<u>(183,123)</u>
Operating loss	4	<u>(83,154)</u>	<u>(170,172)</u>
Loss on disposal of portfolio	14	(359)	(33,308)
Other interest receivable and similar income	5	143	32
Interest payable and similar charges	5	(8,375)	-
Investment income		-	21,209
Impairment of investments	11	<u>-</u>	<u>(699,807)</u>
		<u>(8,591)</u>	<u>(711,874)</u>
Loss before tax		(91,745)	(882,046)
Tax credit on loss on ordinary activities	8	<u>2,464</u>	<u>4,371</u>
Loss for the financial year		<u>(89,281)</u>	<u>(877,675)</u>

The above results were derived from continuing operations.

The notes on pages 14 to 41 form an integral part of these financial statements.

Towergate Insurance Limited

Statement of comprehensive income for the year ended 31 December 2015

	2015	2014
	£ 000	£ 000
Loss for the year	(89,281)	(877,675)
Other comprehensive income, net of tax	<u>-</u>	<u>-</u>
Total comprehensive loss for the year	<u><u>(89,281)</u></u>	<u><u>(877,675)</u></u>

The notes on pages 14 to 41 form an integral part of these financial statements.

Towergate Insurance Limited
(Registration number: 07476462)
Balance sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Assets			
Non-current assets			
Property, plant and equipment	10	561	362
Intangible assets	9	1,189	3,765
Investments in subsidiaries	11	775,595	775,602
Deferred tax assets	8	4,040	1,385
		<u>781,385</u>	<u>781,114</u>
Current assets			
Trade and other receivables	12	289,352	247,146
Income tax asset		-	6,117
Cash and cash equivalents	13	16,289	18,393
		<u>305,641</u>	<u>271,656</u>
Total assets		<u>1,087,026</u>	<u>1,052,770</u>

The notes on pages 14 to 41 form an integral part of these financial statements.

Towergate Insurance Limited
(Registration number: 07476462)
Balance sheet as at 31 December 2015

	Note	2015 £ 000	2014 £ 000
Equity and liabilities			
Equity			
Share capital	18	1,407,308	1,407,308
Share premium		117,980	117,979
Other reserves		32,862	-
Retained losses		(1,003,681)	(914,400)
Total equity		<u>554,469</u>	<u>610,887</u>
Non-current liabilities			
Loans and borrowings	15	122,000	-
Trade and other payables	16	-	2,560
Provisions	17	67	-
		<u>122,067</u>	<u>2,560</u>
Current liabilities			
Trade and other payables	16	392,477	437,025
Income tax liability		342	-
Provisions	17	17,671	2,298
		<u>410,490</u>	<u>439,323</u>
Total liabilities		<u>532,557</u>	<u>441,883</u>
Total equity and liabilities		<u>1,087,026</u>	<u>1,052,770</u>

Approved by the Board on 23 September 2016 and signed on its behalf by:

.....
M S Mugge

Director

The notes on pages 14 to 41 form an integral part of these financial statements.

Towergate Insurance Limited

Statement of changes in equity for the year ended 31 December 2015

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained losses £ 000	Total £ 000
At 1 January 2015	1,407,308	117,979	-	(914,400)	610,887
Loss for the year	-	-	-	(89,281)	(89,281)
New share capital subscribed	-	-	-	-	-
Other share premium reserve movements	-	1	-	-	1
Capital contribution	-	-	32,862	-	32,862
At 31 December 2015	<u>1,407,308</u>	<u>117,980</u>	<u>32,862</u>	<u>(1,003,681)</u>	<u>554,469</u>

	Share capital £ 000	Share premium £ 000	Capital contribution £ 000	Retained losses £ 000	Total £ 000
At 1 January 2014	1,406,099	107,100	-	(36,725)	1,476,474
Loss for the year	-	-	-	(877,675)	(877,675)
New share capital subscribed	1,209	-	-	-	1,209
Other share premium reserve movements	-	10,879	-	-	10,879
At 31 December 2014	<u>1,407,308</u>	<u>117,979</u>	<u>-</u>	<u>(914,400)</u>	<u>610,887</u>

The notes on pages 14 to 41 form an integral part of these financial statements.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

1 Authorisation of financial statements

The Company is a private company limited by share capital incorporated and domiciled in the United Kingdom. The financial statements for the year ended 31 December 2015 were authorised for issue by the board of directors on 23 September 2016 and the balance sheet was signed on the board's behalf by M S Mugge.

In the prior year, the Company prepared consolidated accounts for the Towergate Insurance Group. After the acquisition of the Group on 02 April 2015, the Company has taken advantage of the exemption under section 400 of the Companies Act 2006 not to prepare group accounts as it is a wholly-owned subsidiary of Sentry Holdings Limited, and its results are included in the consolidated accounts of its ultimate parent company.

2 Accounting policies

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, and were authorised for issue by the board on 23 September 2016.

The financial statements have been prepared on a historical cost basis. The financial statements are presented in GBP sterling (£), which is also the Company's functional currency.

Summary of disclosure exemptions

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

In these financial statements, the company has adopted FRS 101 for the first time.

In the transition to FRS 101, the Company has applied IFRS 1 with assets and liabilities measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position and financial performance of the Company is provided in note 24.

On the first-time adoption of FRS 101, the entity has applied paragraphs 6 to 33 of IFRS 1 except for the requirements of paragraphs 6 and 21 to present an opening statement of financial position at the date of transition.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

In these financial statements, the Company has taken advantage of the following disclosure exemptions under FRS 101 where relevant:

- (a) the requirements of paragraphs 45(b) and 46-52 of IFRS 2 Share-Based Payment because the arrangement concerns instruments of another group entity;
- (b) the requirements of paragraphs 62, B64(d), B64(e), B64(g), B64(h), B64(j) to B64(m), B64(n)(ii), B64(o)(ii), B64(p), B64 (q)(ii), B66 and B67 of IFRS 3 Business Combinations which includes among other exemptions the requirement to include a comparative period reconciliation for goodwill;
- (c) the requirements of paragraph 33(c) of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations in respect of the cash flows of discontinued operations;
- (d) the requirements of IFRS 7 Financial Instruments: Disclosures and of paragraphs 91-99 of IFRS 13 Fair Value Measurement apart from those which are relevant for the financial statements which are held at fair value not held as part of a trading portfolio;
- (e) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to provide comparative period reconciliations in respect of outstanding shares, property, plant & equipment and intangible assets;
- (f) the requirements in paragraph 10(d) of IAS 1 Presentation of Financial Statements to prepare a Cash flow statement and the requirements in IAS 7 Statement of Cash Flows regarding the same;
- (g) the requirements in paragraph 10(f), 39(c) and 134-136 of IAS 1 Presentation of Financial Statements, which includes the need to provide details on capital management;
- (h) the requirements of paragraphs 30 and 31 in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors regarding disclosure of new IFRS standards not yet effective at the reporting date and their potential impact;
- (i) the requirements in paragraphs 17 and 18A of IAS 24 Related Party Disclosures around the need to disclose information on key management personnel and details on related party transactions entered into between two or more members of a group, provided that any subsidiary which is party to the transaction is wholly owned by such a member;
- (j) the requirements of paragraphs 134(d) - 134(f) and 135(c) - 135(e) of IAS 36 Impairment of Assets in respect of disclosure of assumptions on which projections used in the impairment review are based and sensitivity analysis.

Where required equivalent disclosures are included in the Group's consolidated financial statements as required by FRS 101 where exemptions have been applied.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet at 1 January 2014 for the purposes of the transition to FRS 101.

Judgments made by the directors, in the application of these accounting policies that have significant effect on the financial statements and estimates with a significant risk of material adjustment in the next year are discussed in the Critical accounting policies and estimates disclosure on page 20.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Going concern

The financial statements of the Company set out on pages 9 to 41 have been prepared on a going concern basis. The directors believe the going concern basis to be appropriate following their assessment of the Company's financial position and its ability to meet its obligations as and when they fall due as described below.

At 31 December 2015 the Company had net assets of £554.5m (31 December 2014: £610.9m) and net current liabilities of £69.4m (31 December 2014: £165.4m). The net assets included amounts receivable from related parties of £286.7m (31 December 2014: £243.1m), amounts due to related parties of £367.0m (31 December 2014: £410.8m).

In reaching his view on preparation of the Company's financial statements on a going concern basis, the Directors have considered significant uncertainties facing the Towergate Group surrounding the potential liabilities arising from the past business review of enhanced transfer value ("ETV") and unregulated collective investment schemes ("UCIS") products that existed at the balance sheet date of 31 December 2015, and subsequent actions and developments in the period up to the date of approval of these financial statements.

A contingent liability has been recognised in respect of ETV at Group level, as there are a number of material uncertainties and it is not yet possible to make a reliable estimate of the Group's ultimate liability and related payment profile. A provision has been recognised in respect of UCIS at Group level, however uncertainty remains over the expected profile of redress payments.

During Q1 2016 the Group secured two sources of additional funding from Highbridge. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares in the acquisition vehicle, Bravo Investment Holdings Limited, in part through an initial cash consideration and contingent consideration if certain events and performance measures occur. This transaction completed on 1 July 2016; and
- A five year facility of £30.0m from Highbridge secured by certain legacy assets of the Group. Binding heads of terms have been signed, however the transaction remains subject to appropriate consents and proceeds will only be received by the Group once such consents are obtained and the transaction completes.

Proceeds from these initiatives will be applied towards an acceleration in the strategic investment in the Group transformation plan in the next year and may also be used to invest in replacement assets and/or to permanently repay outstanding debt as set out below.

The short term loan facility from Highbridge announced on 23 March 2016 was not utilised by the Group and lapsed on the completion of the Broker Network sale.

The Group may from time to time seek to retire or purchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Such repurchase or exchanges, if any, will depend on prevailing market conditions, the Group's liquidity requirements, contractual restrictions and other factors.

On the basis of the Directors' assessment of the Company's financial position and of the Group's ability to continue to provide such support as might be required, the Directors have reasonable expectations that the Company will be able to continue in operational existence for the foreseeable future. Hence the Directors continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Changes in accounting policy

The company has applied the accounting policies effective at the end of the first reporting period for all periods presented, as required by IFRS 1 First-time adoption of IFRSs. Details on the adjustments resulting from application of these accounting policies compared to previous UK GAAP can be found in note 24.

The principal accounting policies applied in the preparation of these financial statements are set out below.

Income tax

The tax expense for the period comprises current and deferred tax. Income tax is recognised in profit or loss, except that a change attributable to an item of income or expense recognised as other comprehensive income is also recognised directly in other comprehensive income. Similarly, income tax is charged or credited directly to equity if it relates to items that are credited or charged directly to equity.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company operates and generates taxable income.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements and on unused tax losses or tax credits in the Company. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

The carrying amount of deferred income tax assets is reviewed at each balance sheet date. Deferred income tax assets and liabilities are offset, only if a legally enforceable right exists to set off current tax assets against current tax liabilities, the deferred income taxes relate to the same taxation authority and that authority permits the Company to make a single net payment.

Property, plant and equipment

Property, plant and equipment is stated in the statement of financial position at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. The carrying values of property, plant and equipment are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable, and are written down immediately to their recoverable amount. Useful lives and residual values are reviewed annually and where adjustments are required these are made prospectively. An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the derecognition of the asset is included in the income statement in the period of derecognition.

The cost of property, plant and equipment includes directly attributable incremental costs incurred in their acquisition and installation.

Depreciation

Depreciation is charged so as to write off the cost of assets, other than land and properties under construction over their estimated useful lives, as follows:

Leasehold improvements	Over the remaining life of the lease
Fixtures and fittings	15% per annum straight line or over 6 years
Motor	25% per annum straight line
Furniture and office equipment	20% per annum straight line
Computer hardware	25% per annum straight line

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Intangible assets

Intangible assets with finite useful lives include computer software and trademarks, stated at cost less accumulated amortisation and impairment losses if any.

Separately acquired trademarks and computer software are shown at historical cost.

Trademarks and computer software acquired in a business combination are recognised at fair value at the acquisition date.

Amortisation

Amortisation is provided on intangible assets so as to write off the cost, less any estimated residual value, over their expected useful economic life as follows:

Trademarks	Straight line over 5 years
Computer software	Straight line over 4 years

Where software development projects are incomplete, costs are capitalised as work in progress and included within intangible assets. These costs are not subject to amortisation until completion of the project.

Impairment of fixed assets

The carrying amounts of the Company's assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount of the fixed asset may not be recoverable and at least annually, in the case of goodwill. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to income-generating units. A cash-generating unit is the smallest identifiable group of assets that generates income that is largely independent of the income streams from other assets or groups of assets.

Calculation of recoverable amount

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

Reversals of impairment

An impairment loss is reversed on intangible assets other than goodwill only if subsequent external events reverse the effect of the original event which caused the recognition of the impairment or the loss arose on an intangible asset with a readily ascertainable market value and that market value has increased above the impaired carrying amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Fixed asset investments

Fixed asset investments are stated at historical cost less provision for impairment for any diminution in value.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and call deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Contingent consideration

Contingent consideration is measured at fair value on acquisition date and relates to either a deferred portion of the purchase price or relates to the future acquisition by the Company of a minority shareholding. Contingent consideration which is a deferred portion of the purchase price is provided in full at the date of acquisition and reduced in future periods if the full amount is not considered to be payable. Contingent consideration related to the future purchase of minority interests in fellow subsidiaries is valued according to an agreed calculation based on the results of the relevant company, this contingent consideration is revalued annually.

Provisions

Provisions are recognised when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the reporting date and are discounted to present value where the effect is material.

Leases

Leases in which substantially all the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

Share capital

Ordinary shares are classified as equity. Equity instruments are measured at the fair value of the cash or other resources received or receivable, net of the direct costs of issuing the equity instruments. If payment is deferred and the time value of money is material, the initial measurement is on a present value basis.

Defined contribution pension obligation

A defined contribution plan is a pension plan under which fixed contributions are paid into a separate entity and the Company has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

For defined contribution plans contributions are paid publicly or privately administered pension insurance plans on a mandatory or contractual basis. The contributions are recognised as employee benefit expense when they are due. If contribution payments exceed the contribution due for service, the excess is recognised as an asset.

Financial assets

Financial assets within the scope of IAS 39 are initially measured at fair value plus directly attributable transaction costs. The Company's financial assets include cash, trade and other receivables and other non-current financial assets. The subsequent measurement of financial assets depends on their classification.

Where the fair value of an available-for-sale asset is not readily available, its fair value is represented by its historical cost less cumulative impairment.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Financial liabilities

Financial liabilities within the scope of IAS 39 are initially classified as financial liabilities at fair value plus directly attributable transaction costs. The Company's financial liabilities include trade and other payables, and loan and borrowings. The subsequent measurement of financial liabilities depends on their classification.

Interest bearing loans and borrowings are initially measured at fair value less directly attributable transaction costs and are subsequently measured using the effective interest method.

Financial guarantees

Contracts meeting the definition of a financial guarantee, including inter-group financial guarantee contracts, are recognised at fair value under IAS 39, or under IFRS 4 where the conditions required in order to regard it as an insurance contract are satisfied. This is determined on a contract by contract basis, depending on whether the risk transferred represents a financial risk or an insurance risk.

Critical accounting policies and estimates

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

The estimates and assumptions that have a significant effect on the carrying amounts of assets and liabilities are discussed below:

Internally-generated software development

Internally generated software development expenditure is capitalised only where there is a clearly defined project, the expenditure is separately identifiable, the outcome of the project can be assessed with reasonable certainty, aggregate costs are expected to be more than covered by related revenues and adequate resources exist to enable the project to be completed.

Impairment of assets

The Company tests annually whether investments and other assets that have indefinite useful lives suffered any impairment. Other assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset exceeds its recoverable amount.

The recoverable amount of an asset or a cash generating unit is determined based on value in use calculations prepared on the basis of management's assumptions and estimates. This determination requires significant judgement. In making this judgement, the Company evaluates, among other factors, the duration and extent to which the fair value of an investment is less than its cost; and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in regional economies and operational and financing cash flow.

Income taxes

Significant judgement is required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Errors and omissions liability

During the ordinary course of business the Company can be subject to claims for errors and omissions. A statement of financial position provision is established in respect of such claims when it is probable that the liability has been incurred and the amount of the liability can be reasonably estimated.

The Company analyses its litigation exposures based on available information, including external legal consultation where appropriate, to assess its potential liability.

The outcome of the currently pending and future proceedings cannot be predicted with certainty. Thus, an adverse decision in a current or future lawsuit could result in additional costs that are not covered, either wholly or partially, under insurance policies and are in excess of the presently established provisions. It is possible therefore that the financial position, results of operations or cash flows of the Company could be materially affected by the unfavourable outcome of litigation.

Estimated useful lives

Assets, other than assets with indefinite useful lives, are carried at historical cost less amortisation or depreciation calculated to write off the cost of such assets over their estimated useful lives.

Management determines the estimated useful lives and related amortisation or depreciation charges at acquisition. The estimated useful life is reviewed annually and the amortisation or depreciation charge is revised where useful lives are subsequently found to be different to those previously estimated.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

3 Turnover

The analysis of the Company's turnover for the year is as follows:

	2015 £ 000	2014 £ 000
Other income	51	1
Management charge receivable	28,967	12,950
	<u>29,018</u>	<u>12,951</u>

Turnover consists entirely of sales made in the United Kingdom.

4 Operating loss

Arrived at after charging/(crediting)

	2015 £ 000	2014 £ 000
Auditor's remuneration: audit of these financial statements	48	26
Depreciation expense	160	127
Amortisation expense	917	1,136
Operating lease expense: property	223	87
Operating lease expense: other	1	9
Intercompany bad debt provision release/write off	(1,950)	133,681
Intercompany bad debt provision and write off	<u>37,725</u>	<u>-</u>

Amounts receivable by the Company's auditor in respect of services to the Company and its associates, other than the audit of the Company's financial statements, have not been disclosed as the information is required instead to be disclosed on a consolidated basis in the consolidated financial statements of the Company's ultimate parent, Sentry Holdings Limited.

At 31 December 2014, the Company made a provision of £133.7m against intercompany debt due from Towergate Partnership Limited, Towergate Holdings II Limited and Towergate Finance plc due to the uncertainty of receiving these amounts. During the year ended 31 December 2015 a further adjustment of £1.9m was made reflecting the movement in these balances prior to the Group's acquisition on 02 April 2015.

The intercompany bad debt provision and write off relates to debts due from Towergate Financial (East) Intermediate Limited, Towergate Financial (West) Holdings Limited, Towergate Financial (Scotland) Holdings Limited, Towergate Financial (East) Holdings Limited, Towergate Financial (North) Holdings Limited, Towergate Financial (Group) Limited and Smartlandlord.co.uk totalling £38.0m. This is due to uncertainty of receiving these amounts following trade disposals by various companies within the Towergate Financial Group and company's liquidation respectively. Offset by £0.3m write off of an intercompany creditor which is no longer payable due to liquidation activity of a dormant entity in the Group.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

5 Interest receivable and interest payable

	2015 £ 000	2014 £ 000
Finance income		
Interest income on bank deposits	79	32
Other finance income	64	-
Total finance income	<u>143</u>	<u>32</u>
Finance costs		
Interest on bank overdrafts and borrowings	(225)	-
Interest expense on other financing liabilities	(8,150)	-
Total finance costs	<u>(8,375)</u>	<u>-</u>
Net finance (costs)/income	<u>(8,232)</u>	<u>32</u>

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

6 Staff costs

The aggregate payroll costs (including directors' remuneration) were as follows:

	2015 £ 000	2014 £ 000
Wages and salaries	43,770	16,611
Social security costs	6,373	1,974
Pension costs, defined contribution scheme	319	617
	<u>50,462</u>	<u>19,202</u>

The average number of persons employed by the Company (including directors) during the year, analysed by category was as follows:

	2015 No.	2014 No.
Administration	315	296
Management	17	18
	<u>332</u>	<u>314</u>

7 Directors' remuneration

The directors' remuneration for the year was as follows:

	2015 £ 000	2014 £ 000
Remuneration	-	2,620
Contributions paid to money purchase schemes	-	97
	<u>-</u>	<u>2,717</u>

In 2014, Towergate Insurance Limited incurred salary cost paid to the directors of the Towergate Group. After the Group restructure following the acquisition in April 2015, the emoluments of all directors are paid by other Group companies, which make no recharge to the Company. These directors are / were directors of the TIG Topco Limited and the predecessor Group parent company (Towergate Insurance Limited) and a number of fellow subsidiaries and it is not possible to make an accurate apportionment of their emoluments in respect of each of the subsidiaries. Their total emoluments are included in the consolidated financial statements of TIG Topco Limited.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

8 Income tax

Tax charged/(credited) in the income statement

	2015 £ 000	2014 £ 000
Current taxation		
UK corporation tax	-	(6,742)
UK corporation tax adjustment to prior periods	191	2,624
	<u>191</u>	<u>(4,118)</u>
Deferred taxation		
Arising from origination and reversal of temporary differences	(2,545)	(253)
Arising from previously unrecognised tax loss, tax credit or temporary difference of prior periods	(110)	-
	<u>(2,655)</u>	<u>(253)</u>
Total deferred taxation	<u>(2,655)</u>	<u>(253)</u>
Tax credit in the income statement	<u>(2,464)</u>	<u>(4,371)</u>

The tax on ordinary activities for the year is higher than the standard rate of corporation tax in the UK (2014 - higher than the standard rate of corporation tax in the UK) of 20.25% (2014 - 21.49%).

The differences are reconciled below:

	2015 £ 000	2014 £ 000
Loss before tax	<u>(91,745)</u>	<u>(882,046)</u>
Corporation tax at standard rate	(18,579)	(189,552)
Loss on disposal of trade	73	7,158
Effect of loan relationships: connected parties	1,735	(7)
Effect of expense not deductible in determining taxable profit (tax loss)	22,647	30,380
Deferred tax differences	(2,545)	(253)
Impairment of investments	-	150,388
Adjustments for prior periods	81	2,624
Other	<u>(5,876)</u>	<u>(5,109)</u>
Total tax credit	<u>(2,464)</u>	<u>(4,371)</u>

Reductions in the UK corporation tax rate from 23% to 21% (effective from 1 April 2014) and 20% (effective from 1 April 2015) were substantively enacted on 2 July 2013. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted on 26 October 2015. These reductions will reduce the Company's future current tax charge / credit accordingly.

The deferred tax asset / liability at 31 December 2015 has been calculated based on the rates disclosed in the above paragraph.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Deferred tax

Deferred tax assets and liabilities

	Asset £ 000
2015	
Accelerated tax depreciation	1,670
Provisions	2,370
Other items	-
Tax losses carry-forwards	-
	<u>4,040</u>
2014	
Accelerated tax depreciation	1,302
Provisions	44
Other items	39
Tax losses carry-forwards	-
	<u>1,385</u>

It is anticipated that the company will have sufficient profitability in future years to ensure the utilisation of the capital allowances claim.

Deferred tax movement during the year:

	At 1 January 2015 £ 000	Recognised in income statement £ 000	At 31 December 2015 £ 000
Accelerated tax depreciation	1,302	368	1,670
Provisions	44	2,326	2,370
Other items	39	(39)	-
Tax losses carry-forwards	-	-	-
Net tax assets/(liabilities)	<u>1,385</u>	<u>2,655</u>	<u>4,040</u>

Deferred tax movement during the prior year:

	At 1 January 2014 £ 000	Recognised in income statement £ 000	At 31 December 2014 £ 000
Accelerated tax depreciation	(114)	1,416	1,302
Provisions	85	(41)	44
Other items	30	9	39
Tax losses carry-forwards	1,131	(1,131)	-
Net tax assets/(liabilities)	<u>1,132</u>	<u>253</u>	<u>1,385</u>

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

9 Intangible assets

	Trademarks, patents and licenses £ 000	Computer software £ 000	Total £ 000
Cost or valuation			
At 1 January 2014	46	6,084	6,130
Inter company transfer	-	725	725
Additions	-	2,414	2,414
At 31 December 2014	46	9,223	9,269
At 1 January 2015	46	9,223	9,269
Inter company transfer	-	(727)	(727)
Additions	-	227	227
Disposals	-	(3,331)	(3,331)
At 31 December 2015	46	5,392	5,438
Amortisation			
At 1 January 2014	11	3,884	3,895
Inter company transfer	-	473	473
Amortisation charge	7	1,129	1,136
At 31 December 2014	18	5,486	5,504
At 1 January 2015	18	5,486	5,504
Inter company transfer	-	(607)	(607)
Amortisation charge	7	910	917
Amortisation eliminated on disposals	-	(1,565)	(1,565)
At 31 December 2015	25	4,224	4,249
Carrying amount			
At 31 December 2015	21	1,168	1,189
At 31 December 2014	28	3,737	3,765
At 1 January 2014	35	2,200	2,235

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

10 Property, plant and equipment

	Leasehold improvements £ 000	Fixtures and fittings £ 000	Motor vehicles £ 000	Furniture and office equipment £ 000	Computer hardware £ 000	Total £ 000
Cost or valuation						
At 1 January 2014	-	19	51	23	720	813
Inter company transfer	-	-	-	-	19	19
Additions	-	-	-	32	213	245
At 31 December 2014	-	19	51	55	952	1,077
At 1 January 2015	-	19	51	55	952	1,077
Inter company transfer	-	-	-	-	(24)	(24)
Additions	66	88	-	66	148	368
Disposals	-	-	-	(1)	(371)	(372)
At 31 December 2015	66	107	51	120	705	1,049
Depreciation						
At 1 January 2014	-	5	51	7	515	578
Inter company transfer	-	-	-	-	10	10
Charge for year	-	2	-	8	117	127
At 31 December 2014	-	7	51	15	642	715
At 1 January 2015	-	7	51	15	642	715
Inter company transfers	-	-	-	-	(15)	(15)
Eliminated on disposal	-	-	-	(1)	(371)	(372)
Charge for the year	1	9	-	17	133	160
At 31 December 2015	1	16	51	31	389	488
Carrying amount						
At 31 December 2015	65	91	-	89	316	561
At 31 December 2014	-	12	-	40	310	362
At 1 January 2014	-	14	-	16	205	235

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

11 Investments in subsidiaries

	Investment in subsidiary undertakings £ 000
Cost or valuation	
At 1 January 2014	1,554,075
Deferred consideration write off	(2,060)
Disposals	<u>(62,982)</u>
At 31 December 2014	<u>1,489,033</u>
At 1 January 2015	1,489,033
Disposals	<u>(7)</u>
At 31 December 2015	<u>1,489,026</u>
Provision	
At 1 January 2014	15,050
Eliminated on disposals	(1,426)
Impairment	<u>699,807</u>
At 31 December 2014	<u>713,431</u>
At 1 January 2015	<u>713,431</u>
At 31 December 2015	<u>713,431</u>
Carrying amount	
At 31 December 2015	<u>775,595</u>
At 31 December 2014	<u>775,602</u>
At 1 January 2014	<u>1,539,025</u>

Disposals made in 2014 relate to The Hayward Holding Group Limited and subsidiaries of £59.4m and FICL Holdco Limited and its subsidiaries of £3.6m. A provision brought forward in relation to the FICL Holdco Limited subsidiary has been released as part of the disposal. Deferred consideration of £2.1m in relation to Towergate Financial (Group) Limited was written off during the year.

Also, as a result of the restructure in 2014, an impairment review was carried out on the investments and a provision of £699.8m was made.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Details of undertakings

A full list of the subsidiary undertakings, joint ventures and associates in which the Company holds any class of share capital are as follows:

Undertaking	Country of incorporation Holding	Proportion of voting rights and shares held	Principal activity
Subsidiary undertakings			
Towergate Underwriting Group Limited	England	100%	Insurance broking
Towergate Risk Solutions Limited (and subsidiaries)	England	100%	Holding company
Fusion Insurance Holdings Limited (and subsidiaries)	England	100%	Holding company
Broker Network Holdings Limited	England	100%	Holding company
Towergate Financial (Group) Limited (and subsidiaries)	England	71%	Holding company
Paymentsshield Group Holdings Limited (and subsidiaries)	England	100%	Holding company
Towergate London Market Limited	England	100%	Insurance Broking
Eclipse Park Acquisitions Limited	England	100%	Holding company
Countrywide Insurance Management Limited *	England	100%	Insurance services
Cullum Capital Ventures Limited	England	100%	Holding company
Silkscale Limited **	England	100%	Dormant
Towergate Property Management Limited	England	100%	Dormant
Towergate Lifestyle Underwriting Limited **	England	100%	Dormant
Towergate Trustees Limited **	England	100%	Dormant
Towergate Holiday Homes Underwriting Agency Limited	England	100%	Dormant
Bakers of Cheltenham Limited **	England	100%	Dormant
SMG Professional Risks Limited	England	100%	Dormant
Towergate Chase Parkinson Limited	England	100%	Dormant
Towergate Wilsons Limited	England	100%	Dormant
Towergate Management Services Limited	England	100%	Dormant
Yourinsurance-group (Brokers) Limited **	England	100%	Dormant
AIUA Holdings Limited	England	100%	Dormant
A.R.G Holdings Limited **	England	100%	Dormant

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

The Folgate Partnership Limited	England	100%	Dormant
Towergate TLC Limited	England	100%	Dormant
AUL Holdings Limited **	England	100%	Dormant
GHBC Limited	England	100%	Dormant
Smartlandlord.co.uk Limited **	England	100%	Dormant
Towergate Commercial Limited **	England	100%	Dormant
Folgate (HHHB) Limited	England	100%	Dormant
Duncan Pocock Holdings Limited	England	100%	Dormant
JW Group Limited	England	100%	Dormant

* Countrywide Insurance Management Limited has been sold after the year end. The transaction was completed on 01 July 2016, (see note 23).

** Companies due to be dissolved after the year end date.

12 Trade and other receivables

	2015 £ 000	2014 £ 000
Receivables from related parties	286,677	243,133
Prepayments	2,447	2,525
Other receivables	<u>228</u>	<u>1,488</u>
Total current trade and other receivables	<u><u>289,352</u></u>	<u><u>247,146</u></u>

2015 receivables from related parties are stated after deducting a bad debt provision of £37.7m, see note 4.

During 2015 a bad debt provision of £1.9m was released to the income statement (note 4). This relates to the provision raised in 2014 in relation to amounts due from Towergate Partnership Limited and Towergate Finance plc and was no longer required following the Group's acquisition on 2 April 2015.

2014 receivables from related parties are stated after deducting a bad debt provision of £133.7m as disclosed in note 4.

13 Cash and cash equivalents

	2015 £ 000	2014 £ 000
Cash at bank	<u><u>16,289</u></u>	<u><u>18,393</u></u>

Cash at bank includes £Nil (2014: £Nil) which constitutes restricted client money and insurer money and £0.3m (2014: £0.7m) in office accounts which are considered restricted and not available to pay the general debts of the Group.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

14 Disposals

The were no disposal during the year ended 31 December 2015.

The £0.36m charged to the Income statement relates to the additional costs incurred on the disposal of The Hayward Holding Group Limited in 2014.

In the prior year, the following portfolios were disposed of.

	Proceeds £ 000	Date of disposal
FICL Holdco Limited and subsidiaries	1,817	29/08/2014
The Hayward Holding Group Limited and subsidiaries	22,714	06/12/2014

The net assets disposed of with these portfolios were as follows:

	FICL Holdco Limited £ 000	The Hayward Holding Group Limited £ 000	Total £ 000
Debtors	25	-	25
Total assets	25	-	25
Creditors	-	(3,272)	(3,272)
Net assets	25	(3,272)	(3,247)
	-	-	-
Net book value of the investment	2,137	59,419	61,556
Satisfied by:			
Cash - Initial consideration	1,817	22,714	24,531
Debtors	-	470	470
Loss on disposal	345	32,963	33,308

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

15 Loans and borrowings

	2015 £ 000	2014 £ 000
Non-current loans and borrowings		
Loan notes	<u>122,000</u>	<u>-</u>

The subordinated loan is from TIG Finco Plc, an immediate parent of the Company. The loan bears interest at a fixed rate of 8.85% per annum.

16 Trade and other payables

	2015 £ 000	2014 £ 000
Non-current trade and other payables		
Other payables	<u>-</u>	<u>2,560</u>
	<u>-</u>	<u>2,560</u>

	2015 £ 000	2014 £ 000
Current trade and other payables		
Accruals	8,644	17,869
Amounts due to related parties	367,036	410,847
Social security and other taxes	4,762	7,999
Outstanding defined contribution pension costs	733	-
Other payables	2,781	-
Interest payable	8,211	-
Contingent consideration	<u>310</u>	<u>310</u>
	<u>392,477</u>	<u>437,025</u>

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

17 Provisions

	Long term incentive plan £ 000	Errors and omissions £ 000	Dilapid- ations £ 000	Total £ 000
At 1 January 2015	530	1,768	-	2,298
Additional provisions	29,958	476	63	30,497
Provisions used	(15,061)	-	-	(15,061)
Unwind of discounted amount	-	-	4	4
At 31 December 2015	<u>15,427</u>	<u>2,244</u>	<u>67</u>	<u>17,738</u>
Non-current liabilities	<u>-</u>	<u>-</u>	<u>67</u>	<u>67</u>
Current liabilities	<u>15,427</u>	<u>2,244</u>	<u>-</u>	<u>17,671</u>

Long term incentive provision - a liability of £30.0m was recognised as part of the Group acquisition transaction on 2 April 2015. The Board of TIL decided to make these incentive payments which were triggered at a result of the change of control. The remaining incentives are due for payment in April and October 2016.

Errors and omissions (E & O) provision - In the normal course of business the Group may receive claims in respect of errors and omissions. A provision has been made in respect of outstanding errors and omissions claims.

Dilapidation provision- provides for the estimated amounts payable for dilapidation on each property at the end of the lease term.

18 Share capital

Allotted, called-up and fully-paid shares

	2015		2014	
	No.	£	No.	£
Ordinary A shares of £0.01	3,000	30		
Ordinary B shares of £1,407,307,331	1	1,407,307,331		
Ordinary shares of £1 each			1,407,307,331	1,407,307,331
	<u>3,001</u>	<u>1,407,307,361</u>	<u>1,407,307,331</u>	<u>1,407,307,331</u>

During the year, as a result of the Group's acquisition, the Company consolidated its share capital and allotted additional 3,000 shares of £0.01 per share.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

19 Obligations under leases

Operating leases

The total future value of minimum lease payments is as follows:

	2015 £ 000	2014 £ 000
Within one year	260	260
In two to five years	1,039	1,039
In over five years	1,298	1,558
	<u>2,597</u>	<u>2,857</u>

20 Contingent liabilities

Guarantees

On 2 April 2015 the Group completed a financing and recapitalisation process. At that date Towergate Finance Plc sold its immediate subsidiary, the Company, to TIG Finco Plc. On the same date TIG Finco Plc issued £425.0m of 8.75% Senior Secured Notes and £75.0m of Floating Rate Super Senior Secured Notes.

The obligations of TIG Finco Plc under the 8.75% Senior Secured Notes and the Floating Rate Super Senior Secured Notes are guaranteed by TIG Midco Limited, the immediate parent company of TIG Finco Plc and all its material and certain other subsidiaries. These companies are listed below:

Berkeley Alexander Limited	Protectagroup Limited
Capital & County Insurance Brokers Limited	Richard V Wallis & Co Limited
Countrywide Insurance Management Limited	Roundcroft Limited
Cox Lee & Co Limited	T F Bell Holdings Limited
Crawford Davis Insurance Consultants Limited	T L Risk Solutions Limited
Cullum Capital Ventures Limited	The Broker Network Limited
Four Counties Finance Limited	The T F Bell Group Limited
Fusion Insurance Holdings Limited	Three Counties Insurance Brokers Limited
Fusion Insurance Services Limited	Towergate London Market Limited
HLI (UK) Limited	Townfrost Limited
Just Insurance Brokers Limited	CCV Risk Solutions Limited
Managing Agents Reference Assistance Services Limited	Eclipse Park Acquisitions Limited
Moffatt & Co Limited	Towergate Risk Solutions Limited
Paymentsshield Holdings Limited	Broker Network Holdings Limited
Paymentsshield Limited	Oyster Risk Solutions Limited
Portishead Insurance Management Limited	Paymentsshield Group Holdings Limited
Protectagroup Acquisitions Limited	Towergate Underwriting Group Limited
Protectagroup Holdings Limited	Towergate Insurance Limited

These guarantees have been treated under IFRS 4 in line with the Accounting Policy described in Note 2.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

21 Related party transactions and transactions with other related parties

During the year the Company entered into transactions, in the ordinary course of business, with a number of related parties. The Company has taken the exemption under FRS 101 not to disclose transactions with fellow wholly owned subsidiaries.

Business was also conducted, on an arm's length basis, within the Sentry Holdings Limited Group of companies. The table below shows the transactions and balances with entities that form part of the group but are not wholly owned by Sentry Holdings Limited.

	2015	2015	2015	2014	2014	2014
			(Due to)			(Due to)
			/receivable			/receivable
	Paid to	Received	from at	Paid to	Received	from at
	£ 000	from	year end	£ 000	from	year end
		£ 000	£ 000		£ 000	£ 000
Towergate Financial (London) Limited	-	387	(32)	728	-	355
Towergate Financial (West) Limited	2,502	-	(2,856)	-	2,209	(5,358)
Towergate Financial (Huddersfield) Limited	744	-	-	-	761	(744)
Towergate Financial (North) Limited	-	(191)	(316)	750		(125)
Towergate Financial (Scotland) Limited	68	-	631	-	75	563
Towergate Financial (East) Intermediate Limited *	-	831	-	1,323	-	2,181
Towergate Financial (East) Limited	-	782	(283)	1,211	-	499
Towergate Financial (West) Holdings Limited *	-	46	-	49	-	67
Towergate Financial (Scotland) Holdings Limited *	1	-	-	2	-	650
Towergate Financial (East) Holdings Limited *	-	2,316	-		1,762	(684)
Towergate Financial (North) Holdings Limited *	-	299	-	319	-	742
Towergate Financial (Group) Limited *	8,330	-	-	5,232	-	22,682
Oyster Risk Solutions Limited	1,337	-	10,826	10,376	-	9,489
Execcover Limited	-	2	-	8	-	2
B.I.B. Underwriters Limited	4,062	-	7,385	2,786	-	3,296
Oyster Property Insurance Specialists Limited	1,589	-	1,589	-	349	-

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

* In 2015, the Company made a provision against intercompany debt from the Towergate Financial Group companies as disclosed in note 4. As a result, there are no balances due to be received from those companies.

Disclosures were made in the prior year financial statements regarding related party transactions with Moray Firth Insurance Brokers Limited, Antur (West) Wales Limited, Antur Insurance Services Limited, B.I.B (Darlington) Limited, Bishop Skinner Insurance Brokers Limited, Fenton Insurance Solutions Limited, Four Counties Insurance Brokers Limited, Arthur Marsh & Son Limited, Morgan Law Limited and Suddard Davis & Associates Limited. These companies became wholly owned subsidiaries in 2015. Also, disclosures were previously made for companies sold in the year: MP Bolshaw & Co Limited, Hayward Aviation Limited and The Hayward Holding Group.

22 Ultimate parent company

At 31 December 2014, the Company was the ultimate parent company of the Group. On 2 April 2015, Highbridge Principal Strategies LLC became the Group's majority shareholder when its investment in Sentry Holdings Limited (incorporated in Jersey) acquired a direct interest in TIG Topco Limited (incorporated in Jersey) and its indirect interest in Towergate Insurance Limited and its subsidiaries. At 31 December 2015, the ultimate parent company was Sentry Holdings Limited.

The consolidated financial statements of Sentry Holdings Limited are available upon request from:

Towergate House
Eclipse Park
Sittingbourne Road
Maidstone
Kent
ME14 3EN

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

23 Subsequent events

Additional funding

During Q1 2016 the Group secured two sources of additional funding from Highbridge. Details are as follows:

- Disposal of the entire issued share capital of The Broker Network Limited and Countrywide Insurance Management Limited, both wholly owned subsidiaries of the Group, and the assets of Broker Network Underwriting, a trading style of Towergate Underwriting Group Limited. The consideration for the acquisition shall be satisfied in part by the allotment to Towergate of approximately 19.9% of the shares in the acquisition vehicle, Bravo Investment Holdings Limited, in part through an initial cash consideration and contingent consideration if certain events and performance measures occur. This transaction completed on 1 July 2016; and
- A five year facility of £30.0m from Highbridge secured by certain legacy assets of the Group. Binding heads of terms have been signed, however the transaction remains subject to appropriate consents and proceeds will only be received by the Group once such consents are obtained and the transaction completes.

Proceeds from these initiatives will be applied towards an acceleration in the strategic investment in the Group transformation plan in the next year and may also be used to invest in replacement assets and/or to permanently repay outstanding debt as set out below.

The short term loan facility from Highbridge announced on 23 March 2016 was not utilised by the Group and lapsed on the completion of the Broker Network sale.

The Group may from time to time seek to retire or purchase its outstanding debt through open market purchases, privately negotiated transactions or otherwise. Such repurchase or exchanges, if any, will depend on prevailing market conditions, the Group's liquidity requirements, contractual restrictions and other factors.

Disposal of Countrywide Insurance Management Limited

The disposal of Countrywide and the Broker Network Limited was completed after the year end date but before this financial statements were approved. See above under "Additional funding" for further details.

Dividends

After the year end, the Company received dividends amounting to £31.7m from its subsidiaries Broker Network Holdings Limited and Countrywide Insurance Management Limited.

Capital contribution

On 8 March 2016, the Company made capital contributions to the following companies:

Towergate Financial (East) Limited £20,000,000
Towergate Financial (Scotland) Limited £15,000,000
Towergate Financial (North) Limited £2,000,000

These entities are indirect subsidiaries of the Company and each one is regulated by the FCA. The capital contributions were made to ensure that each company has sufficient regulatory capital to meet the requirement imposed by the FCA.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

24 Transition to FRS 101

Balance sheet at 1 January 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Intangible assets	35	2,200	-	2,235
Tangible fixed assets	2,435	(2,200)	-	235
Investments	1,539,025	-	-	1,539,025
Deferred tax assets	-	1,102	30	1,132
	<u>1,541,495</u>	<u>1,102</u>	<u>30</u>	<u>1,542,627</u>
Current assets				
Debtors	260,341	(1,102)	-	259,239
Cash at bank and in hand	<u>9,469</u>	<u>-</u>	<u>-</u>	<u>9,469</u>
	269,810	(1,102)	-	268,708
Creditors: Amounts falling due within one year	<u>(327,661)</u>	<u>-</u>	<u>(151)</u>	<u>(327,812)</u>
Net current liabilities	<u>(57,851)</u>	<u>(1,102)</u>	<u>(151)</u>	<u>(59,104)</u>
Total assets less current liabilities	1,483,644	-	(121)	1,483,523
Creditors: Amounts falling due after more than one year	(5,053)	-	-	(5,053)
Provisions for liabilities	<u>(1,996)</u>	<u>-</u>	<u>-</u>	<u>(1,996)</u>
Net assets	<u>1,476,595</u>	<u>-</u>	<u>(121)</u>	<u>1,476,474</u>
Capital and reserves				
Share capital	(1,406,099)	-	-	(1,406,099)
Share premium	(107,100)	-	-	(107,100)
Profit and loss account	<u>36,604</u>	<u>-</u>	<u>121</u>	<u>36,725</u>
Shareholders' funds	<u>(1,476,595)</u>	<u>-</u>	<u>121</u>	<u>(1,476,474)</u>

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of (i) reclassification of computer software from tangible fixed assets to intangible fixed assets of £2.20m, (ii) reclassification of deferred tax asset from current assets to non current assets of £1.10m (iii) remeasurement of holiday pay accrual of £0.15m, and (iv) remeasurement of associated deferred tax of £0.03m.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Balance sheet at 31 December 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Fixed assets				
Intangible assets	33	3,737	(5)	3,765
Tangible fixed assets	4,099	(3,737)	-	362
Investments	775,602	-	-	775,602
Deferred tax assets	-	1,345	40	1,385
	<u>779,734</u>	<u>1,345</u>	<u>35</u>	<u>781,114</u>
Current assets				
Debtors	254,608	(1,345)	-	253,263
Cash at bank and in hand	18,393	-	-	18,393
	273,001	(1,345)	-	271,656
Creditors: Amounts falling due within one year	(436,827)	-	(198)	(437,025)
Net current assets	(163,826)	(1,345)	(198)	(165,369)
Total assets less current liabilities	615,908	-	(163)	615,745
Creditors: Amounts falling due after more than one year	(2,560)	-	-	(2,560)
Provisions for liabilities	(2,298)	-	-	(2,298)
Net assets	<u>611,050</u>	<u>-</u>	<u>(163)</u>	<u>610,887</u>
Capital and reserves				
Share capital	(1,407,308)	-	-	(1,407,308)
Share premium	(117,979)	-	-	(117,979)
Profit and loss account	914,237	-	163	914,400
Shareholders' funds	<u>(611,050)</u>	<u>-</u>	<u>163</u>	<u>(610,887)</u>

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of (i) reclassification of computer software from tangible fixed assets to intangible fixed assets of £3.73m, (ii) reclassification of deferred tax asset from current assets to non current assets of £1.34m, (iii) remeasurement of intangible asset amortisation of £0.01m, (iv) remeasurement of holiday pay accrual of £0.19m and (v) remeasurement of associated deferred tax of £0.04m.

Towergate Insurance Limited

Notes to the financial statements for the year ended 31 December 2015

Profit and loss account for the year ended 31 December 2014

	As originally reported £ 000	Reclassification £ 000	Remeasurement £ 000	As restated £ 000
Turnover	12,951	-	-	12,951
Amortisation and other amounts written off of intangible	(2)	(1,129)	(5)	(1,136)
Administrative expenses	<u>(183,069)</u>	<u>1,129</u>	<u>(47)</u>	<u>(181,987)</u>
Operating loss	<u>(170,120)</u>	<u>-</u>	<u>(52)</u>	<u>(170,172)</u>
Income from shares in group undertakings	21,209	-	-	21,209
Loss on disposal of portfolio	(33,308)	-	-	(33,308)
Other interest receivable and similar income	32	-	-	32
Amounts written off investments	<u>(699,807)</u>	<u>-</u>	<u>-</u>	<u>(699,807)</u>
	<u>(711,874)</u>	<u>-</u>	<u>-</u>	<u>(711,874)</u>
Loss before tax	(881,994)	-	(52)	(882,046)
Tax on loss on ordinary activities	<u>4,361</u>	<u>-</u>	<u>10</u>	<u>4,371</u>
Loss for the financial year	<u><u>(877,633)</u></u>	<u><u>-</u></u>	<u><u>(42)</u></u>	<u><u>(877,675)</u></u>

Adjustments shown in the above table during the transition from UK GAAP to FRS 101 consist of (i) reclassification of computer software amortisation of £1.12m, (ii) remeasurement of intangible asset amortisation of £0.01m, (iii) remeasurement of holiday pay accrual of £0.05m, (iv) remeasurement of associated deferred tax of £0.01m.